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SIX DEFENDANTS FROM OPERATION WOODEN NICKEL FOREX CASE CONVICTED
IN FEDERAL COURT OF RUNNING "BOILER ROOM"; PRIOR FELON CONVICTED
OF MONEY LAUNDERING IN CONNECTION WITH THAT "BOILER ROOM"

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that six defendants have pleaded guilty in Manhattan federal court to defrauding clients of Madison Deane & Associates ("Madison Deane"), a now-defunct foreign currency "boiler room" that operated out of offices located at 2 World Financial Center. The defendants - VITO NAPOLETANO, GEORGE OMESTE, IAN SCOTT BURSZTYN, LEONARD BASMAN, MATTHEW SALINAS, and MAZEN ABDELDAYEM, - were arrested in November 2003 in connection with Operation Wooden Nickel, a large-scale undercover investigation of criminal activity in the foreign currency or "forex" markets, conducted by the United States Attorney's Office, the FBI and the United States Commodity Futures Trading Commission. A seventh defendant, DAMON RIPLEY, pleaded guilty to related money laundering charges and to gun and drug charges.

According to the Indictment as well as the defendants'

statements in connection with their guilty pleas, Madison Deane held itself out to the investing public as a brokerage firm that managed investments in the forex market for retail clients. In fact, according to the Indictment and the defendants' statements, Madison Deane operated as a classic "boiler room," in which Madison Deane sales brokers used high pressure sales tactics to induce potential clients to invest in the forex market through Madison Deane. According to the Indictment, from October 2001 through on or about November 18, 2003, the defendants made, or caused other Madison Deane sales representatives to make, false and fraudulent representations to potential retail customers, including misrepresentations regarding (i) the sales brokers' commissions; (ii) Madison Deane's history of generating profits for customers through trading in the forex market; and (iii) Madison Deane's use of investors' funds for the purpose of trading in the forex market.

As a result of these fraudulent sales practices, Madison Deane solicited millions of dollars from retail customers between Fall 2001 and November 2003. According to the Indictment, during most of this period, Madison Deane had no ability to execute forex trading on behalf of its customers and failed to disclose this information to its customers. The Indictment alleges that beginning in or about Spring 2002, the defendants diverted substantial amounts of investor funds to other entities controlled by NAPOLETANO for the personal benefit

of NAPOLETANO, OMESTE, BASMAN, and BURSZTYN. For example, the Indictment alleges that NAPOLETANO, OMESTE, BASMAN and BURSZTYN each purchased expensive Rolex watches with Madison Deane customers' money.

NAPOLETANO, OMESTE, BURSZTYN, BASMAN, SALINAS and ABDELDAYEM each pleaded guilty to one count of conspiracy to commit mail fraud and wire fraud in connection with their participation in a scheme to defraud Madison Deane. Each of those counts carries a maximum term of imprisonment of five years and a maximum fine of the greatest of \$250,000 or twice the gross gain or loss from the offense. NAPOLETANO and OMESTE also pleaded guilty to one count of conspiracy to commit mail fraud and wire fraud in connection with their participation in a scheme to defraud investors of Hamilton Sterling & Associates, LLC, another purported retail forex brokerage and trading firm, from approximately July 1999 to January 2000. In addition, NAPOLETANO pleaded guilty to one count of conspiracy to commit wire fraud and bank fraud in connection with his participation from approximately January 2003 through on or about November 18, 2003 in a rigged foreign currency trading scheme known as "points for cash." Each of those counts carries the same maximum penalties as the Madison Deane conspiracy count. As part of their plea agreements, the defendants stipulated to the following sentencing ranges: NAPOLETANO, 87 to 108 months; OMESTE, 70 to 87 months; BURSZTYN, 57 to 71 months; BASMAN, 46 to 57 months; ABDELDAYEM,

ten to 16 months; and SALINAS, 6 to 12 months.

In addition, DAMON RIPLEY pleaded guilty to seven counts of money laundering for his participation in a series of money laundering transactions from May through August of 2002 in connection with Madison Deane and New York Capital Assets ("NYCA"), a defunct forex trading firm operated by RIPLEY. Each of those money laundering counts carries a maximum sentence of 20 years' imprisonment and a maximum fine of the greater of \$500,000 or twice the value of the property involved in the transactions. RIPLEY also pleaded guilty to one count of conspiracy to distribute ten kilograms of cocaine from May to August 2002, which carries a mandatory minimum sentence of ten years' imprisonment and a maximum term of imprisonment of life and to one count of possessing a firearm in August 2002 after being convicted of a felony, which carries a maximum sentence of ten years' imprisonment and a maximum fine of the greatest of \$250,000 or twice the gross gain or loss from the offense. As part of his plea agreement, RIPLEY stipulated to a sentencing range of 140 to 175 months' imprisonment.

The Honorable LORETTA A. PRESKA scheduled sentencing as follows: BASMAN for October 20, 2005, BURSZTYN for October 21, 2005, ABDELDAYEM for October 27, 2005, SALINAS for October 28, 2005, OMESTE for November 1, 2005, NAPOLETANO for November 21, 2005, and RIPLEY for November 22, 2005.

VITO NAPOLETANO, 32, resides in Staten Island, New

York.

GEORGE OMESTE, 28, resides in Staten Island, New York.

IAN SCOTT BURSZTYN, 33, resides in Commack, New York.

LEONARD BASMAN, 34, resides in Staten Island, New York.

MAZEN ABDELDAYEM, 24, resides in Brooklyn, Queens.

MATTHEW SALINAS, 30, resides in Florida.

Mr. KELLEY praised the efforts of the FBI in the investigation of this case and thanked the CFTC for its assistance.

Assistant United States Attorneys MARC WEINSTEIN, DEIRDRE A. MCEVOY, and LAWRENCE GERSCHWER are in charge of the prosecutions.

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